

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-654

AMENDING THE CENTRAL INTELLIGENCE AGENCY
RETIREMENT ACT OF 1964 FOR CERTAIN EMPLOY-
EES, AS AMENDED

NOVEMBER 18, 1969.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. RIVERS, from the Committee on Armed Services,
submitted the following

REPORT

[To accompany H.R. 14571]

The Committee on Armed Services to whom was referred the bill (H.R. 14571) to amend the Central Intelligence Agency Retirement Act of 1964 for certain employees, as amended, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of the bill is to bring the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, into conformity with appropriate changes recently made in the Civil Service Retirement Act, Public Law 91-93.

Specifically, the bill will increase benefits under the CIA Retirement Act as follows:

1. Using high three instead of high five for computing annuities;
2. Adding accumulated sick leave in computation of annuity;
3. Adding 1 percent to cost-of-living increases of annuities;
4. Authorizing surviving spouse to remarry after age 60 without loss of annuity and restoration of annuity on dissolution of remarriage before that age;
5. Upgrading survivorship benefits by increasing the fixed annuity for children; establishing a minimum survivor annuity; and reducing, in death in service cases, the minimum length of service requirement from 5 years to 18 months.

In addition, the bill increases Agency and participant contributions to the fund from 6.5 percent to 7 percent of basic salary.

BACKGROUND

The CIA Retirement Act was enacted to provide a comprehensive retirement and disability program for a limited number of employees whose duties either were in support of Agency activities abroad, hazardous to life or health, or so specialized as to be clearly distinguishable from normal Government employment.

The Central Intelligence Agency operates under two retirement systems—the regular civil service retirement system for the majority of its employees and the one established under the CIA Retirement Act for a smaller number. The primary purpose of the latter system is to sustain a shorter career base for service where the conditions of employment are substantially different from those associated with normal Government employment. Key provisions of the CIA Retirement Act include a straight 2 percent factor in the computation formula and retirement eligibility at age 50 after 20 years of service, both modeled after civil service provision for certain personnel involved in law enforcement activities (5 U.S.C. 8336(c)). Other provisions of the CIA Retirement Act are, for the most part, also patterned after those of the civil service retirement system.

The provisions in the Civil Service Retirement Act amended by Public Law 91-93 form the basis for comparable provisions in the CIA Retirement Act. A change for one has equal merit for the other. Without conforming changes, annuities under the CIA Retirement Act will fall substantially behind civil service in the following critical areas:

1. Annuities of retirees;
2. Widows' annuities in death in service cases where less than 20-years service is involved;
3. Surviving children annuities;
4. Cost-of-living adjustments for annuitants.

The CIA Retirement Act must keep pace with the new concepts and increased benefits approved for the civil service retirement system. Failure to do so especially where comparability once existed, as is the instant case, would completely undermine the effectiveness of the CIA Retirement Act.

Public Law 90-539 (by which the cost-of-living provision of the CIA Retirement Act was brought back into consonance with the civil service retirement system) serves as precedent for the approval of conforming amendments for the CIA Retirement Act as proposed in this report.

DEPARTMENTAL DATA

Enactment of this legislation has the support of the Central Intelligence Agency and the approval of the Bureau of the Budget as evidenced by the letter from the Director of the Central Intelligence Agency dated October 23, 1969, which is set out below and made a part of this report.

CENTRAL INTELLIGENCE AGENCY,
Washington, D.C., October 23, 1969.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

MY DEAR MR. SPEAKER: This letter transmits for the consideration of the Congress a proposed draft bill to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended. The proposed bill brings the CIA Retirement Act into consonance with certain provisions of the civil service retirement system.

Public Law 91-93, approved October 20, 1969, made significant improvements in the benefits of the civil service retirement system. Contribution rates were increased also. The improvement in benefits includes using "high three" instead of "high five" for computing annuities, permitting accumulated sick leave to be added in the computation of annuities, adding 1 percent to cost-of-living adjustment for annuitants, making the remarriage provisions partially retroactive, and improving survivor benefits.

A number of key features in the CIA Retirement Act, as passed in 1964, were adopted from provisions of law then applicable to civil services retirees. These features included the provisions amended by Public Law 91-93.

The reasons for changing these benefits under the civil service retirement system apply with equal force to the CIA system. This CIA retirement system would be completely undermined if it did not keep pace with the improved benefits and effective dates of Public Law 91-93. On the other hand, enactment of the proposed bill will assure that appropriate provisions of the CIA retirement system remain in line with those of the civil service system.

We would appreciate early and favorable consideration of the proposed bill. The Bureau of the Budget has advised that there is no objection to presenting the proposed bill to the Congress from the standpoint of the administration's program.

Sincerely,

RICHARD HELMS,
Director.

FISCAL DATA

The financing provision of the bill increases Agency and participant contributions from 6.5 to 7 percent in consonance with the comparable provision of Public Law 91-93.

The Director of the Central Intelligence Agency has advised the Committee on Armed Services that enactment of this bill will not result in any significant increase in budgetary requirements for fiscal year 1970.

COMMITTEE POSITION

The Committee on Armed Services, a quorum being present, unanimously agreed to favorably report H.R. 14571 without amendment, and recommends its enactment.

SECTIONAL ANALYSIS

Section 1 increases both the Agency's and the participant's contributions to the fund from 6½ percent to 7 percent of basic salary.

Section 2(a) revises the formula for computing annuities by basing "average basic salary" either on the highest 3 consecutive years rather than the highest 5 consecutive years, or over a shorter period, where applicable, to obtain the increased survivor protection afforded by section 4.

Section 2(b) provides for retention of annuity following remarriage under the conditions spelled out in section 2(d).

Section 2(c) increases the annuities of children of deceased annuitants.

Section 2(d) permits payment of annuity to surviving spouse upon remarriage occurring on or after age 60, and on or after July 18, 1966; and provides restoration of annuity terminated for remarriage prior to attaining age 60 if remarriage is dissolved.

Section 2(e) authorizes the crediting of accumulated sick leave for annuity computation purposes.

Section 3 preserves for survivors of participants retired for disability the additional service credit which may have been granted to such retirees.

Section 4 increases survivorship protection in death in service cases: by reducing the minimum length of service requirement from 5 years to 18 months; by establishing a minimum survivor annuity; and by incorporating the provisions in section 2 relating to remarriage.

Section 5(a) adds 1 percent to each cost-of-living adjustment effected under the cost-of-living provision of the act.

Section 5(b) assures that the new annuities for surviving children will be adjusted in accordance with the cost-of-living provisions of the act.

Section 6 provides effective dates in phase with similar amendments approved for the civil service retirement system.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported.

EXISTING LAW

* * * * *
Central Intelligence Agency Retirement Act of 1964 for
Certain Employees, as amended, (78 Stat. 1043; 50
U.S.C. 403 note)

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Sec. 1. Section 211(a) of the Central Intelligence
Agency Retirement Act of 1964 for Certain Employees, as
amended, (78 Stat. 1043; 50 U.S.C. 403 note) is further
amended by striking out "Six and one-half per centum" in
the first sentence and inserting "Seven per centum".

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Sec. 211. (a) Six and one-half per centum of the basic
salary received by each participant shall be contributed to
the fund for the payment of annuities, cash benefits, re-
funds and allowances. An equal sum shall also be contribu-
ted from the respective appropriation or fund which is
used for payment of his salary. The amounts deducted and
withheld from basic salary together with the amounts so
contributed from the appropriation or fund shall be de-
posited by the Agency to the credit of the fund.

Sec. 221. (a) The annuity of a participant shall be equal
to 2 per centum of his average basic salary for the highest
five consecutive years of service, for which full contribu-
tions have been made to the fund, multiplied by the num-
ber of years, not exceeding thirty-five, of service credit
obtained in accordance with the provisions of sections 251
and 252. In determining the aggregate period of service
upon which the annuity is to be based, the fractional part
of a month, if any, shall not be counted.

Sec. 2. Section 221 of the Central Intelligence Agency
Retirement Act (50 U.S.C. 403 note) is amended:

(a) by striking out in paragraph (a) "five consecutive
years of service;" and inserting "three consecutive years of
service (or, in the case of an annuity computed under sec-
tion 232 and based on less than three years, over the total
service);";

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(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death or remarriage of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 55 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by $2\frac{1}{2}$ per centum of any amount up to \$3,600 he specified as the base for the survivor benefit plus 10 per centum of any amount over \$3,600 so specified.

(c) (1) If an annuitant dies and is survived by a wife or husband and by a child or children, in addition to the annuity payable to the surviving wife or husband, there shall be paid to or on behalf of each child an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$600; or (iii) \$1,800 divided by the number of children.

(2) If an annuitant dies and is not survived by a wife or husband but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$720; or (iii) \$2,160 divided by the number of children.

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(b) by striking out from the first sentence of paragraph (b) "or remarriage of such surviving wife or husband" and inserting "or upon remarriage prior to attaining age sixty of such surviving wife or husband";

(c) by striking out in paragraph (c) the items "40 per centum", "\$600", "\$1,800", "50 per centum", "\$720", and "\$2,160", and inserting "60 per centum", "\$900", "\$2,700", "75 per centum", "\$1,080", and "\$3,240";

(d) by adding new paragraph (g) :

“(g) In the case of remarriage on or after age sixty an annuity shall be payable if remarriage has occurred on or after July 18, 1966, and if the surviving wife or husband, immediately before such remarriage, was receiving an annuity from the Central Intelligence Agency Retirement and Disability Fund. The annuity of a surviving spouse terminated as a result of remarriage which occurred prior to age sixty and on or after July 18, 1966, shall be restored at the same rate commencing on the day the remarriage is dissolved by death, annulment, or divorce, if—

“(1) the surviving spouse elects to receive this annuity instead of a survivor benefit to which he may be entitled, under this or another retirement system for Government employees, by reason of the remarriage; and

“(2) any lump sum paid on termination of the annuity is returned to the fund.” No annuity shall be paid by reason of this paragraph for any period prior to October 20, 1969. No annuity shall be terminated solely by reason of the enactment of this paragraph.”; and

(e) by adding new paragraph (h) :

“(h) In computing an annuity under this section the service credit of a participant who retires, except under section 231, on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by paragraph (a), the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average basic salary or annuity eligibility. The contribution specified in section 232 shall not be required

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Sec. 231. (a) Any participant who has five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with provisions of section 251 or 252 (a) (2), and who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Director, be retired on an annuity computed as prescribed in section 221. If the disabled or incapacitated participant is under sixty and has less than twenty years of service credit toward his retirement under the system at the time he is retired, his annuity shall be computed on the assumption that he has had twenty years of service, but the additional service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and age sixty, but this provision shall not increase the annuity of any survivor.

Sec. 232. (b) If a participant, who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), dies before separation or retirement from the Agency and is survived by a widow or a dependent widower, as defined in section 204, such widow or dependent widower shall be entitled to an annuity equal to 55 per centum of the annuity

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for days of unused sick leave credited under this paragraph.⁵
Sec. 3. Section 231 (a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by striking ", but this provision shall not increase the annuity of any survivor" from the last sentence.

Sec. 4. (a) Section 232 (b) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended:

- (1) by striking "five years" and inserting "18 months";
- (2) by inserting, after "221 (a)", "except that the computation of the annuity of the participant under such section shall be at least the smaller of (i) 40 per centum of the participant's average basic salary, or (ii) the sum obtained under such section after increasing the participant's serv-

computed in accordance with the provisions of section 221(a). The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death or remarriage of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

(c) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is survived by a wife or a husband and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)(1). The child's annuity shall begin and be terminated in accordance with the provisions of section 221(e). Upon the death of the surviving wife or husband or termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though such wife or husband or child had not survived the participant.

(d) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is not survived by a wife or husband, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)

ice of the type last performed by the difference between his age at the time of death and age sixty"; and

(3) by striking "remarriage of the widow or dependent widower" and inserting "upon remarriage prior to attaining age sixty of the widow or dependent widower (subject to the payment and restoration provisions of section 221(g))";

(b) Sections 232(c) and (d) are amended by striking "five years" and inserting "18 months".

EXISTING LAW

(2). The child's annuity shall begin and terminate in accordance with the provisions of section 221 (e). Upon termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though that child had never been entitled to the benefit.

Sec. 291. (a) On the basis of determinations made by the Director pertaining to per centum change in the Price Index, the following adjustments shall be made:...

(2) Each month beginning with November 1966, the Director shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:...

(2) Effective from its commencing date, an annuity payable from the fund to a child under section 221 (c), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by (a) 2 per centum if the annuity from which it is derived commenced on or before January 1, 1966, or (b) 1 per centum

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Sec. 5. Section 291 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended:

(a) by inserting "1 per centum plus" immediately after the word "by" in paragraph (a) (2); and

(b) by amending paragraphs (b) (2) and (b) (3) to read:

"(2) For the purpose of computing the annuity of a child under section 221 (c) that commences after October 31, 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 221 (c) shall be increased by the total per centum increases allowed and in force under this section on or after such day, and, in case of a deceased annuitant, the items 60 per centum and 75 per centum appearing in section 221 (c) shall be increased by the total per

if the annuity from which it is derived commenced on or between January 2, 1966, and January 1, 1967.

(3) For the purposes of computing an annuity which commences after January 1, 1967, to a child under section 221 (c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221 (c) shall be increased by 10.2 per centum plus the total per centum increase allowed and in force under section 291 (a) (2) for employee annuities, and, in the case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221 (c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase the annuitant would have received.

centum allowed and in force to the annuitant under this section on or after such day.

“(3) The annuity of each surviving child receiving an annuity under section 221 immediately prior to November 1, 1969, shall be recomputed effective November 1, 1969, in accordance with paragraph (b) (2). No increase allowed and in force prior to such date under section 291 shall be included in the recomputation of any such annuity, and this paragraph shall not operate to reduce any annuity.”

SEC. 6. (a) The amendments made by section 1 shall become effective at the beginning of the first applicable pay period beginning after December 31, 1969.

(b) The amendments made by sections 3, 4, and 2, with the exception of 2(c), shall become effective October 20, 1969.

(c) The amendments made by sections 2(c) and 5 shall become effective November 1, 1969.

(d) The amendments made by sections 2(a), 2(e), 3, and 4(a) (1)-(2) shall not apply in the cases of persons retired or otherwise separated prior to October 20, 1969, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been enacted.

SUMMARY OF H.R. 14571

PURPOSE OF THE BILL

To bring the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, into conformity with appropriate changes recently made in the Civil Service Retirement Act, Public Law 91-93.

The provisions of the bill are limited to those changes in benefits provided Federal civil service employees under the provisions of Public Law 91-93.

The bill also increases employee and employer contributions to the retirement fund from 6.5 percent to 7 percent of basic salary.

EXECUTIVE BRANCH POSITION

Enactment of this legislation is recommended by the Director of the Central Intelligence Agency and has the approval of the Bureau of the Budget.

FISCAL DATA

The Director of the Central Intelligence Agency has advised the Committee on Armed Services that enactment of this bill will not result in any significant increase in budgetary requirements for fiscal year 1970.

COMMITTEE POSITION

The Committee on Armed Services, a quorum being present, unanimously agrees to favorably report H.R. 14571 without amendment, and recommends its enactment.

